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Wecon Holdings Limited
偉工控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1793)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2022
AND PROPOSED AMENDMENT OF THE ARTICLES OF ASSOCIATION
OF THE COMPANY

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately HK\$49.5 million or approximately 4.5% from approximately HK\$1,103.2 million for the year ended 31 March 2021 to approximately HK\$1,152.7 million for the year ended 31 March 2022.
- Gross profit decreased by approximately HK\$1.7 million or approximately 3.1% from approximately HK\$55.4 million for the year ended 31 March 2021 to approximately HK\$53.7 million for the year ended 31 March 2022.
- Gross profit margin decreased from approximately 5.0% for the year ended 31 March 2021 to approximately 4.7% for the year ended 31 March 2022.
- Profit attributable to the equity holders of the Company decreased by approximately HK\$5.0 million or approximately 26.0% from approximately HK\$19.2 million for the year ended 31 March 2021 to approximately HK\$14.2 million for the year ended 31 March 2022.
- Basic earnings per share for the year ended 31 March 2022 was approximately HK1.8 cents (2021: approximately HK2.4 cents).
- The Board has proposed a final dividend of HK1.2 cents per share (2021: HK1.2 cents per share) in respect of the year ended 31 March 2022, subject to approval of the Company's shareholders at the 2022 AGM.

The board (the “**Board**”) of directors (the “**Directors**”) of Wecon Holdings Limited (the “**Company**”) is pleased to present the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2022, together with the comparative figures for the corresponding year ended 31 March 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	1,152,691	1,103,157
Cost of sales		<u>(1,099,041)</u>	<u>(1,047,756)</u>
GROSS PROFIT		53,650	55,401
Other income and gains	4	7,286	14,131
Administrative and other operating expenses, net		(44,251)	(48,519)
Finance costs	5	<u>(129)</u>	<u>(199)</u>
PROFIT BEFORE TAX	6	16,556	20,814
Income tax	7	<u>(2,347)</u>	<u>(1,572)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>14,209</u>	<u>19,242</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
– Basic and diluted		<u>HK1.8 cents</u>	<u>HK2.4 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		10,272	8,148
Right-of-use assets		8,315	7,584
Financial asset at fair value through profit or loss		4,200	2,150
Prepayments, deposits and other receivables		5,921	5,379
Total non-current assets		<u>28,708</u>	<u>23,261</u>
CURRENT ASSETS			
Contract assets and trade receivables	10	323,001	260,376
Prepayments, deposits and other receivables		42,251	21,295
Financial assets at fair value through profit or loss		15,581	17,452
Tax recoverable		–	7,997
Pledged deposits		34,190	42,193
Time deposits		23,616	5,109
Cash and bank balances		64,884	120,639
Total current assets		<u>503,523</u>	<u>475,061</u>
CURRENT LIABILITIES			
Trade and retention payables	11	185,006	143,758
Other payables and accruals		52,430	68,166
Lease liabilities		3,740	3,344
Tax payable		368	–
Total current liabilities		<u>241,544</u>	<u>215,268</u>
NET CURRENT ASSETS		<u>261,979</u>	<u>259,793</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>290,687</u>	<u>283,054</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		846	728
Lease liabilities		4,153	1,311
Total non-current liabilities		<u>4,999</u>	<u>2,039</u>
NET ASSETS		<u>285,688</u>	<u>281,015</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	12	8,000	8,000
Reserves		277,688	273,015
Total equity		<u>285,688</u>	<u>281,015</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 23 March 2018. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1801-1802, 18/F., Tung Hip Commercial Building, 244-252 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. During the year, the Group's subsidiaries were principally engaged in the provision of building construction and repair, maintenance, alteration and addition ("RMAA") services.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company is Triple Arch Limited, which was incorporated in the British Virgin Islands (the "BVI").

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

The adoption of the above revised standards has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

- (a) Construction contracts; and
- (b) RMAA

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, government grants, gain on disposal of financial assets at fair value through profit or loss, net, dividend income from equity investments at fair value through profit or loss, fair value gain/loss on financial assets at fair value through profit or loss, net, sundry income, loss on disposal of items of property, plant and equipment, depreciation (unallocated portion), impairment/reversal of impairment of contract assets and trade receivables, net, foreign exchange differences, finance costs and unallocated head office and corporate expenses, are excluded from such measurement.

Segment assets exclude property, plant and equipment, financial assets at fair value through profit or loss, tax recoverable, pledged deposits, time deposits, cash and bank balances and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's key management personnel for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2022 and 2021 is set out below.

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities *(continued)*

Year ended 31 March 2022

	Construction contracts 2022 <i>HK\$'000</i>	RMAA 2022 <i>HK\$'000</i>	Total 2022 <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>986,696</u>	<u>165,995</u>	<u>1,152,691</u>
Segment results	53,805	(155)	53,650
Interest income			225
Government grants			133
Gain on disposal of financial assets at fair value through profit or loss, net			1,176
Dividend income from equity investments at fair value through profit or loss			1,173
Fair value loss on financial assets at fair value through profit or loss, net			(629)
Foreign exchange gains			9
Sundry income			4,570
Depreciation (unallocated portion)			(7,034)
Impairment of contract assets, net			(62)
Reversal of impairment of trade receivables, net			14
Finance costs			(129)
Unallocated head office and corporate expenses			<u>(36,540)</u>
Profit before tax			16,556
Income tax expense			<u>(2,347)</u>
Profit for the year			<u><u>14,209</u></u>
Segment assets and liabilities			
Segment assets	306,607	63,077	369,684
Unallocated			<u>162,547</u>
			<u><u>532,231</u></u>
Segment liabilities	204,766	30,835	235,601
Unallocated			<u>10,942</u>
			<u><u>246,543</u></u>

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities *(continued)*

Year ended 31 March 2021

	Construction contracts 2021 <i>HK\$'000</i>	RMAA 2021 <i>HK\$'000</i>	Total 2021 <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	990,847	112,310	1,103,157
Segment results	41,517	13,884	55,401
Interest income			1,592
Government grants			9,986
Fair value gain on financial assets at fair value through profit or loss, net			601
Foreign exchange gains			3
Sundry income			1,949
Loss on disposal of items of property, plant and equipment			(94)
Depreciation (unallocated portion)			(7,292)
Impairment of contract assets			(122)
Impairment of trade receivables			(11)
Finance costs			(199)
Unallocated head office and corporate expenses			(41,000)
Profit before tax			20,814
Income tax expense			(1,572)
Profit for the year			19,242
Segment assets and liabilities			
Segment assets	256,799	28,556	285,355
Unallocated			212,967
			498,322
Segment liabilities	188,065	20,376	208,441
Unallocated			8,866
			217,307

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

Since over 90% of the Group's revenue was generated from the sales in Hong Kong and over 90% of the Group's identifiable non-current assets were located in Hong Kong, no geographical information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the years, is set out below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	345,433	N/A*
Customer B	173,440	N/A*
Customer C	159,932	683,607
Customer D	156,776	N/A*
Customer E	<u>121,556</u>	<u>N/A*</u>

* The corresponding revenues from these customers are not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the year ended 31 March 2021.

4. REVENUE AND OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Construction contracts	986,696	990,847
RMAA	<u>165,995</u>	<u>112,310</u>
	<u>1,152,691</u>	<u>1,103,157</u>

4. REVENUE AND OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 March 2022

Segments	Construction contracts <i>HK\$'000</i>	RMAA <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of services			
Construction services	986,696	–	986,696
RMAA	–	165,995	165,995
Total revenue from contracts with customers	<u>986,696</u>	<u>165,995</u>	<u>1,152,691</u>
Timing of revenue recognition			
Over time	986,696	26,509	1,013,205
Point in time	–	139,486	139,486
Total revenue from contracts with customers	<u>986,696</u>	<u>165,995</u>	<u>1,152,691</u>

For the year ended 31 March 2021

Segments	Construction contracts <i>HK\$'000</i>	RMAA <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of services			
Construction services	990,847	–	990,847
RMAA	–	112,310	112,310
Total revenue from contracts with customers	<u>990,847</u>	<u>112,310</u>	<u>1,103,157</u>
Timing of revenue recognition			
Over time	990,847	34,577	1,025,424
Point in time	–	77,733	77,733
Total revenue from contracts with customers	<u>990,847</u>	<u>112,310</u>	<u>1,103,157</u>

4. REVENUE AND OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

The revenue from contracts with customers recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period was HK\$5,949,000 (2021: Nil).

(ii) Performance obligations

For the construction contracts and RMAA services using the output method, the construction and refurbishment of buildings is a single performance obligation that the Group satisfies over time. The construction period varies from 1.5 years to 3 years. As at 31 March 2022, the aggregate amount of the transaction price allocated to the remaining obligation was HK\$862,858,000 (2021: HK\$1,185,703,000), and the Group will recognise this revenue in the future when the buildings are completed, which are expected to occur over the next 12 to 36 months.

For the RMAA services under term contracts, the performance obligation is satisfied upon the transfer of control of the asset. The Group applies the practical expedient in paragraph 121 of HKFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less.

4. REVENUE AND OTHER INCOME AND GAINS *(continued)*

Other income and gains

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income arising from loans to subcontractors and bank deposits	225	1,592
Government grants*	133	9,986
Gain on disposal of financial assets at fair value through profit or loss, net	1,176	–
Dividend income from equity investments at fair value through profit or loss	1,173	–
Fair value gain on financial assets at fair value through profit or loss, net	–	601
Foreign exchange gains	9	3
Sundry income	<u>4,570</u>	<u>1,949</u>
	<u><u>7,286</u></u>	<u><u>14,131</u></u>

* During the year ended 31 March 2021, government grants mainly represented the amount of HK\$8,911,000 received under the Employment Support Scheme from the Government of the Hong Kong Special Administrative Region and the amount of HK\$864,000 received under Employment Support Scheme for the Construction Sector for casual employees from the Construction Industry Council. There are no unfulfilled conditions or contingencies related to these grants.

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	33	46
Interest on lease liabilities	<u>96</u>	<u>153</u>
	<u><u>129</u></u>	<u><u>199</u></u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation of property, plant and equipment	2,175	2,640
Depreciation of right-of-use assets	5,155	4,900
Lease payments not included in the measurement of lease liabilities	701	747
Other charges in respect of rental premises	212	266
Auditor's remuneration	900	1,250
Employee benefit expense (excluding directors' remuneration):*		
Wages and salaries	89,286	86,757
Pension scheme contributions (defined contribution scheme)	<u>3,608</u>	<u>3,403</u>
	<u>92,894</u>	<u>90,160</u>
Gain on disposal of financial assets at fair value through profit or loss, net	(1,176)	–
Dividend income from equity investments at fair value through profit or loss	(1,173)	–
Fair value loss/(gain) on financial assets at fair value through profit or loss, net**	629	(601)
Foreign exchange differences	(9)	(3)
Impairment of contract assets, net**	62	122
Impairment/(reversal of impairment) of trade receivables, net**	(14)	11
Loss on disposal of items of property, plant and equipment	–	94
Provision/(write-back of provision) for legal fees and claims**	<u>360</u>	<u>(700)</u>

* The employee benefit expense included in cost of sales was HK\$73,819,000 (2021: HK\$68,380,000).

** Amounts are included in “Administrative and other operating expenses, net” on the face of the consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2021: HK\$2,000,000) of estimated assessable profits of this subsidiary are taxed at 8.25% and the remaining estimated assessable profits are taxed at 16.5%.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	2,192	1,763
Underprovision/(overprovision) in prior years	37	(105)
Deferred tax charged/(credited)	<u>118</u>	<u>(86)</u>
Total tax charge for the year	<u>2,347</u>	<u>1,572</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK\$14,209,000 (2021: HK\$19,242,000), and the weighted average number of ordinary shares of 794,696,000 (2021: 798,648,153) in issue during the year.

The weighted average number of ordinary shares used in the calculation for the years ended 31 March 2022 and 2021 is the number adjusted to reflect the 5,304,000 shares held under the share award plan of the Company.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

9. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend in respect of the previous financial year paid during the year – HK1.2 cents (2021: HK1.9 cents) per ordinary share	<u>9,536</u>	<u>15,200</u>
Proposed final dividend – HK1.2 cents (2021: HK1.2 cents) per ordinary share	<u>9,600</u>	<u>9,600</u>

The payment of a final dividend in respect of the financial year ended 31 March 2021 of HK1.2 cents per share, totalling HK\$9,536,000, was based on the number of ordinary shares in issue less shares held under share award plan.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

10. CONTRACT ASSETS AND TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other contract assets	62,947	61,569
Retention receivables	<u>97,719</u>	<u>90,462</u>
	160,666	152,031
Impairment of contract assets	<u>(416)</u>	<u>(354)</u>
Net contract assets	<u>160,250</u>	<u>151,677</u>
Trade receivables	162,772	108,734
Impairment of trade receivables	<u>(21)</u>	<u>(35)</u>
Net trade receivables	<u>162,751</u>	<u>108,699</u>
	<u>323,001</u>	<u>260,376</u>

10. CONTRACT ASSETS AND TRADE RECEIVABLES (continued)

Trade receivables represented receivables for contract work. Management generally submits interim payment applications to customers on a monthly basis containing a statement setting out the management's estimation of the valuation of the works completed in the preceding month. Upon receiving the interim payment application, the architect or the consultant of the customer will verify such valuation of works completed and issue an interim payment certificate within 30 days. Within 30 days after the issuance of interim payment certificate, the customer will make payment to the Group based on the certified amount stipulated in such certificate, deducting any retention money in accordance with the contract.

There is a certain concentration of credit risk. The balances of the five largest trade receivables as at 31 March 2022 and 2021 represented 86.3% and 89.6% of the total trade receivables, respectively, while 50.3% and 56.3% of the total trade receivables as at 31 March 2022 and 2021 were due from the largest debtor, respectively. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables based on the invoice date and net of provision, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables:		
Within 90 days	159,374	108,000
91 to 180 days	1,696	699
181 to 365 days	624	–
Over 365 days	1,057	–
	<u>162,751</u>	<u>108,699</u>

11. TRADE AND RETENTION PAYABLES

An ageing analysis of the trade and retention payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables:		
Within 3 months	100,586	72,680
Retention payables	84,420	71,078
	<u>185,006</u>	<u>143,758</u>

Retention payables were normally settled within terms ranging from one to two years.

Trade and retention payables are non-interest-bearing. The payment terms of trade payables are stipulated in the relevant contracts with credit periods of 30 days in general.

12. SHARE CAPITAL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.01 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
800,000,000 ordinary shares of HK\$0.01 each	<u>8,000</u>	<u>8,000</u>

BUSINESS REVIEW

The Group is a long-established main contractor in Hong Kong and principally engaged in the provision of (i) building construction services and (ii) RMAA works services. The Group provides building construction services to customers in both the private and public sectors. The building construction services provided by the Group primarily consist of building works for new buildings, including residential, commercial and industrial buildings, while the Group's RMAA works services include the general upkeep, maintenance, improvement, refurbishment, alteration and addition of existing facilities and components of buildings and their surroundings.

As at 31 March 2022, the Group had 13 major projects on hand with an awarded contract sum of HK\$10.0 million or above, which includes projects in progress and projects that are yet to commence.

During the year ended 31 March 2022, the Group had completed one major project with an awarded contract sum of HK\$10.0 million or above.

PROSPECTS

The outbreak of COVID-19 pandemic (the “**Pandemic**”) at the beginning of 2020 has made the operating environment difficult and has created challenges to various industries in Hong Kong. The negative impact brought by the Pandemic had caused an adverse effect on the Group's business, which led to a delay in delivery of raw materials to the construction sites and progress of certain construction projects due to quarantine measures. However, the Group had taken necessary measures to maintain its construction works during the outbreak of the Pandemic to perform according to the planned schedule. As the Pandemic may persist in the foreseeable future, the management of the Group will continuously monitor the development of the Pandemic as well as assess the overall impact on the Group's business from time to time, and accordingly evaluates the impact on the financial position and performance of the Group. Also, the management of the Group is vigilant to any changes to the law and regulations in compliance with industrial safety and public health policies; and deploys appropriate preventive measures to enhance protection of the Group's employees by providing healthy and hygienic environment both in the office and at the construction sites.

During the year ended 31 March 2022, the Group was successfully awarded five sizeable contracts with an aggregate contract sum of approximately HK\$1,432.1 million, two of which were awarded from new customers. The Group will continue to diversify its customer base by placing more effort to promote the Group's reputation, ensuring projects are completed on time with the highest quality and implementing various cost-effective measures to improve its competitiveness. The management of the Group still remains prudently optimistic about the prospects of the construction industry in Hong Kong.

PROSPECTS *(continued)*

In March 2022, a wholly-owned subsidiary of the Group, Wecon Construction & Engineering Limited (“**Wecon Construction**”), was admitted to the Housing Authority List of Building Contractors (New Works Category – Group NW2) (Probationary) (the “**Group NW2**”), upon which Wecon Construction as the main contractor will be eligible to tender for new works contract of unlimited value from the Hong Kong Housing Authority (the “**Housing Authority**”), subject to the probationary condition that Wecon Construction can undertake not more than one Group NW2 contract at any one time. The Group believes that admission to the Group NW2 will allow the Group to tender for more construction projects from the Housing Authority in terms of quantity as well as contract value, and will demonstrate the capability of the Group in undertaking construction projects of larger scale and larger contract sum.

As the world economy enters into a period of profound transformation, the Group would seek evolution through every avenue. The Group believes that the building information modeling services could differentiate the Group from the Group’s competitors, through providing creative technical solutions to the Group’s customers. Going forward, the Group plans to invest in building construction related services that will enhance the Group’s capabilities and provide synergies to the existing business of the Group, while the Group strives to maintain the high quality and workmanship which the Group has been delivering to its customers.

SEGMENT INFORMATION

The Group’s reportable and operating segments are (i) building construction services and (ii) RMAA works services.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately HK\$49.5 million or approximately 4.5% from approximately HK\$1,103.2 million for the year ended 31 March 2021 to approximately HK\$1,152.7 million for the year ended 31 March 2022.

(i) Building Construction Services

The revenue generated from the building construction services slightly decreased by approximately HK\$4.2 million or approximately 0.4% from approximately HK\$990.9 million for the year ended 31 March 2021 to approximately HK\$986.7 million for the year ended 31 March 2022. Such slight decrease was mainly due to the practical completion of one sizable project during the year ended 31 March 2022. Such decrease, however, was partially offset by the increase in revenue generated from several sizable projects, which achieved significant progress during the year ended 31 March 2022.

FINANCIAL REVIEW *(continued)*

(ii) RMAA Works Services

The revenue generated from the RMAA works services substantially increased by approximately HK\$53.7 million or approximately 47.8% from approximately HK\$112.3 million for the year ended 31 March 2021 to approximately HK\$166.0 million for the year ended 31 March 2022. Such substantial increase was mainly due to the increase in revenue generated from two newly awarded sizable projects during the year ended 31 March 2022. Such increase, however, was partially offset by the decrease in revenue generated from several sizable projects reaching the completion stage during the year ended 31 March 2022.

Cost of Sales

The cost of sales of the Group increased by approximately HK\$51.2 million or approximately 4.9% from approximately HK\$1,047.8 million for the year ended 31 March 2021 to approximately HK\$1,099.0 million for the year ended 31 March 2022. Such increase was mainly driven by the corresponding increase in revenue. The Group's cost of sales primarily consisted of subcontracting costs, material costs, direct staff costs and site overhead.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by approximately HK\$1.7 million or approximately 3.1% from approximately HK\$55.4 million for the year ended 31 March 2021 to approximately HK\$53.7 million for the year ended 31 March 2022. The gross profit margin was approximately 4.7% and 5.0% for the years ended 31 March 2022 and 2021, respectively, representing a decrease of approximately 0.3 percentage points.

(i) Building Construction Services

The gross profit of building construction services was approximately HK\$53.8 million for the year ended 31 March 2022, representing an increase of approximately HK\$12.3 million or approximately 29.6% from approximately HK\$41.5 million for the year ended 31 March 2021. The gross profit margin of building construction services increased from approximately 4.2% for the year ended 31 March 2021 to approximately 5.5% for the year ended 31 March 2022. Such increase was primarily attributable to the increase in gross profit of several sizeable projects as a result of negotiation of final accounts with subcontractors.

FINANCIAL REVIEW (continued)

(ii) RMAA Works Services

The gross loss of RMAA works services was approximately HK\$0.1 million for the year ended 31 March 2022, as compared to the gross profit of approximately HK\$13.9 million for the year ended 31 March 2021. The gross profit/(loss) margin of RMAA works services decreased from gross profit margin of approximately 12.4% for the year ended 31 March 2021 to gross loss margin of approximately 0.1% for the year ended 31 March 2022. The turnaround from gross profit to gross loss in the RMAA segment was mainly due to the decrease in gross profit generated from several sizeable projects reaching the completion stage during the year ended 31 March 2022, and the gross loss generated from the newly awarded sizeable project due to the significant site overhead costs incurred at the initial stage during the year ended 31 March 2022.

Other Income and Gains

The other income and gains of the Group decreased by approximately HK\$6.8 million or approximately 48.2% from approximately HK\$14.1 million for year ended 31 March 2021 to approximately HK\$7.3 million for year ended 31 March 2022. Such decrease was mainly due to the absence of a non-recurring government subsidy under the Employment Support Scheme established by the Government of Hong Kong during the year ended 31 March 2022, while such government subsidy was recognised during the year ended 31 March 2021. Such decrease, however, was partially offset by the gain on disposal of financial assets, net and the dividend income from equity investments recognised during the year ended 31 March 2022.

Administrative and Other Operating Expenses, Net

The administrative and other operating expenses, net of the Group decreased by approximately HK\$4.2 million or approximately 8.7% from approximately HK\$48.5 million for the year ended 31 March 2021 to approximately HK\$44.3 million for year ended 31 March 2022. Such decrease was mainly due to the decrease in staff costs and professional fees during the year ended 31 March 2022. Such decrease, however, was partially offset by the fair value loss on financial assets, net recognised during the year ended 31 March 2022.

Finance Costs

The finance costs of the Group decreased by approximately HK\$70,000 or approximately 35.2% from approximately HK\$199,000 for the year ended 31 March 2021 to approximately HK\$129,000 for the year ended 31 March 2022. Such decrease was primarily attributable to the decrease in the interest expense on lease liabilities.

FINANCIAL REVIEW (continued)

Income Tax

The income tax of the Group increased by approximately HK\$0.7 million or approximately 43.8% from approximately HK\$1.6 million for the year ended 31 March 2021 to approximately HK\$2.3 million for the year ended 31 March 2022. The effective tax rate (defined as the income tax divided by profit before tax) was approximately 14.2% and 7.6% for the years ended 31 March 2022 and 2021, respectively. The increase of the effective tax rate of approximately 6.6 percentage points was primarily attributable to the non-taxable non-recurring government subsidy recognised during the year ended 31 March 2021 but no such government subsidy was recognised during the year ended 31 March 2022.

Net Profit

As a result of the foregoing, the net profit of the Group decreased by approximately HK\$5.0 million or approximately 26.0% from approximately HK\$19.2 million for the year ended 31 March 2021 to approximately HK\$14.2 million for the year ended 31 March 2022. The net profit margin was approximately 1.2% and 1.7% for the years ended 31 March 2022 and 2021, respectively, representing a decrease of approximately 0.5 percentage points. Such decrease was mainly due to the absence of the non-recurring government subsidy recognised during the year ended 31 March 2022, while such government subsidy was recognised during the year ended 31 March 2021. Such decrease, however, was partially offset by the gain on disposal of financial assets, net and the dividend income from equity investments recognised during the year ended 31 March 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group has a total of 223 full-time and one part-time employees (as at 31 March 2021: 185 full-time and one part-time employees). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as performance, qualification, merits, responsibilities of each individual and market conditions. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage, annual leave and share options and share awards which may be granted to eligible employees. The total staff costs (excluding Directors' remuneration) of the Group were approximately HK\$92.9 million and HK\$90.2 million for the years ended 31 March 2022 and 2021, respectively.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2022, other than the shareholding in the subsidiaries of the Company, there were no significant investments held by the Company. There were no material acquisitions or disposals of subsidiaries and associated companies by the Group during the year ended 31 March 2022.

CAPITAL COMMITMENTS

As at 31 March 2022 and 2021, the Group did not have any significant capital commitments.

CONTINGENT LIABILITIES

The Group provided unlimited guarantees in favour of certain banks and an insurance company in support of the issue of performance bonds to the Group's subsidiaries with an aggregate amount of approximately HK\$77.9 million and HK\$119.1 million as at 31 March 2022 and 2021, respectively. Certain of these performance bonds granted were secured by pledged deposits of approximately HK\$26.2 million and HK\$34.2 million as at 31 March 2022 and 2021, respectively. Other than those disclosed above, the Group had no other material contingent liabilities as at 31 March 2022.

FOREIGN EXCHANGE EXPOSURE

The Group has a minimal exposure to foreign currency risk as most of its business transactions and assets and liabilities are principally denominated in Hong Kong Dollar. As such, the Directors believe that the Group's risk in foreign exchange is insignificant, such that it is not necessary for the Group to arrange any foreign currency hedging policy and the Group has not entered into any instrument for hedging purposes during the year ended 31 March 2022.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has principally funded the liquidity and capital requirements through capital contributions from the shareholders, bank borrowings and net cash generated from operating activities.

As at 31 March 2022 and 2021, the Group had pledged deposits, time deposits and cash and bank balances of approximately HK\$122.7 million and HK\$167.9 million, respectively. As at 31 March 2022 and 2021, the current ratio of the Group was approximately 2.1 times and 2.2 times, respectively.

The Group generally finances its operation by internally generated resources and banking facilities provided by certain banks in Hong Kong. The Directors believe that the Group has sufficient working capital for the Group's current commitments and future requirements.

During the year ended 31 March 2022, there has been no change in the capital structure of the Company.

DEBTS AND CHARGE ON ASSETS

As at 31 March 2022 and 2021, the Group has no outstanding bank borrowings. The lease liabilities of the Group amounted to approximately HK\$7.9 million and HK\$4.7 million as at 31 March 2022 and 2021, respectively.

As at 31 March 2022 and 2021, the banking facilities of the Group were secured by (i) the Group's pledged deposits of approximately HK\$34.2 million and HK\$42.2 million, respectively; and (ii) corporate guarantee executed by the Group.

The Group's borrowings were denominated in Hong Kong Dollar and interests on borrowings were mainly charged at floating rate. The Group currently does not have any interest rate hedging policy. Although the Group had no outstanding bank borrowings as at 31 March 2022, the Group pays vigilant attention to and monitors interest rate risks continuously and cautiously.

GEARING RATIO

As at 31 March 2022 and 2021, the gearing ratio of the Group (defined as the lease liabilities divided by total equity) was approximately 2.8% and 1.7%, respectively.

USE OF PROCEEDS

The shares of the Company (the “**Share(s)**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 27 February 2019 (the “**Listing Date**”). The net proceeds from the share offer (the “**Net Proceeds**”), after deducting related underwriting commission and listing expenses, of approximately HK\$93.5 million were and will be utilised in accordance with the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 January 2019 (the “**Prospectus**”).

The particulars of the Net Proceeds utilised during the year ended 31 March 2022 are as follows:

	Planned use of Net Proceeds in total <i>HK\$ million</i>	Actual use of Net Proceeds during the year ended 31 March 2022 <i>HK\$ million</i>	Remaining balance of Net Proceeds as at 31 March 2022 <i>HK\$ million</i>	Expected timeline for the use of the remaining balance of Net Proceeds
Strengthen the capacity in undertaking more building construction and RMAA works projects in Hong Kong	66.7	–	–	N/A
Strengthen the manpower	14.4	4.9	1.9	30 September 2022
Upgrade and renovation of office	3.6	0.9	0.2	30 June 2022
Develop engineering and technological innovation	2.9	–	0.4	31 March 2023
General working capital	5.9	–	–	N/A
	<u>93.5</u>	<u>5.8</u>	<u>2.5</u>	

As at 31 March 2022, the Group has not yet fully utilised the Net Proceeds allocated for strengthening manpower, upgrading and renovating office and developing engineering and technological innovation. The delay in utilisation of the Net Proceeds in the abovementioned areas were due to (i) the difficulty in recruiting suitable candidates for the positions which were created as planned; and (ii) the delay in development of the Group’s engineering and technological innovation. The Group plans to utilise the remaining balance of the Net Proceeds allocated to the abovementioned areas during the year ending 31 March 2023.

The Group will continue to apply the Net Proceeds in accordance to the disclosure in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 21 January 2019. No share option has been granted, exercised, expired, cancelled or lapsed under the Share Option Scheme since its adoption date and up to the date of this announcement.

SHARE AWARD PLAN

The Board adopted a share award plan (the “**Share Award Plan**”) on 31 July 2020 (the “**Adoption Date**”), under which any employee of the Group and its invested entities who contributes to the Group or its invested entities (the “**Eligible Participants**”) will be entitled to participate. The purposes of the Share Award Plan are:

- i. to recognise and reward the contribution of the Eligible Participants to the growth and development of the Group;
- ii. to give incentives to the Eligible Participants in order to retain them for the continual operation and development of the Group; and
- iii. to attract suitable personnel for further development of the Group.

The Group has set up a trust (the “**Share Award Plan Trust**”) for the purpose of administering the Share Award Plan. The Share Award Plan Trust will acquire the Shares from the Stock Exchange, with a maximum amount of funds allocated by the Board, and will hold such Shares until they are vested. Unless early terminated by the Board, the Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date.

Under the rules constituting the Share Award Plan, the maximum number of Shares which can be subscribed for and/or purchased under the Share Award Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date (i.e. 80,000,000 Shares). The maximum number of Shares which may be awarded to an Eligible Participant shall not in aggregate exceed 1% of the issued Shares of the Company as at the Adoption Date. The Board may from time to time, at its discretion, determine the vesting date(s), any condition(s) or performance target(s) when granting the share award to the Eligible Participants.

On 23 December 2020, the Company allocated HK\$1,000,000 to the Share Award Plan Trust, and approximately HK\$996,000 was utilised to purchase 5,304,000 Shares. Up to the date of this announcement, these 5,304,000 Shares are held by the trustee for the benefit of the Eligible Participants under the Share Award Plan Trust. No share award has been granted or vested under the Share Award Plan since its Adoption Date and up to 31 March 2022.

For further details of the Share Award Plan, please refer to the Company’s announcement dated 31 July 2020.

PROPOSED FINAL DIVIDEND

At the Board meeting held on 24 June 2022, the Board proposed a final dividend of HK1.2 cents per Share in respect of the year ended 31 March 2022. The proposed final dividend is subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting scheduled to be held on Friday, 19 August 2022 (the “**2022 AGM**”).

ANNUAL GENERAL MEETING

The 2022 AGM of the Company is scheduled to be held on Friday, 19 August 2022. A notice convening the 2022 AGM will be issued and despatched to the Shareholders according to the applicable law, the articles of association of the Company (the “**Articles**”) and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the 2022 AGM, the Register of Members of the Company will be closed from Tuesday, 16 August 2022 to Friday, 19 August 2022, both dates inclusive, the period during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2022 AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at its office at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 August 2022.

Subject to the Shareholders’ approval at the 2022 AGM, to ascertain the Shareholders’ entitlement to receiving the final dividend, the Register of Members of the Company will be closed from Thursday, 25 August 2022 to Friday, 26 August 2022, the period during which no transfer of Shares will be effected. Subject to the approval of the Shareholders at the 2022 AGM approving the payment of the final dividend, the final dividend is expected to be paid on Monday, 19 September 2022. In order to qualify for receiving the final dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Wednesday, 24 August 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its Shares during the year ended 31 March 2022.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurred after 31 March 2022 and up to the date to this announcement which require disclosure.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining the highest standard of corporate governance as the Board recognises the importance of sound corporate governance to the long term and continuing success of the Group. The corporate governance principles of the Group emphasise transparency, accountability and independence. The Board commits to continuously reviewing and enhancing the Group's corporate governance practices and procedures for the best interest of the Company's shareholders.

During the year ended 31 March 2022 and up to the date of this announcement, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code ("**CG Code**") in Appendix 14 to the Listing Rules except the deviation stipulated below.

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman (the "**Chairman**") and chief executive officer (the "**CEO**") should be separated and should not be performed by the same individual. Since the Listing Date and up to the date of this announcement, Mr. Tsang Ka Yip ("**Mr. KY Tsang**") has been the Chairman of the Board and the CEO of the Company. Given the nature and extent of the Group's operations and Mr. KY Tsang's in-depth knowledge and experience in the industry in which the Group operates and his familiarity with the operations of the Group, the Board believes that it is the most beneficial to the Group and the shareholders as a whole to have Mr. KY Tsang acting as the Chairman of the Board and the CEO of the Company at the same time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries to each of the Directors and all Directors have confirmed that they have fully complied with the required standards set out in the Model Code during the year ended 31 March 2022.

AUDIT COMMITTEE REVIEW

The consolidated financial statements of the Group for the year ended 31 March 2022 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at "www.hkexnews.hk" and on the website of the Company at "www.wecon.com.hk". The annual report of the Company for the year ended 31 March 2022 will be despatched to the shareholders and published on the above websites according to the Listing Rules.

PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION

The Board proposes to amend the existing Articles in order to bring the Articles in line with the latest legal and regulatory requirements, including the amendments made to Appendix 3 to the Listing Rules which took effect on 1 January 2022.

The proposed amendments to the Articles ("**Proposed Amendments**") are summarised below:

1. to specify that the Company shall hold an annual general meeting within six months after the end of the Company's financial year;
2. to provide that all Shareholders shall have the right to (i) speak at a general meeting of the Company; and (ii) vote at a general meeting of the Company, except where a Shareholder is required, by the Listing Rules, or the rules, codes or regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration;
3. to provide that in addition to the right to convene an extraordinary general meeting on the requisition of one or more Shareholders holding not less than one tenth (1/10th) of the paid up capital of the Company having the right of voting at general meetings, such Shareholder(s) shall also have the right to add resolutions to the meeting agenda of a general meeting;
4. to provide that the branch register of Shareholders in Hong Kong may be closed on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws in Hong Kong); and

PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION *(continued)*

5. to make other necessary amendments for updating the Articles and better aligning with the wording in the applicable laws of Cayman Islands and the Listing Rules.

The Proposed Amendments are subject to consideration and approval by the Shareholders by way of a special resolution at the 2022 AGM. A circular containing, among other things, particulars relating to the Proposed Amendments together with a notice convening the 2022 AGM will be despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

APPRECIATION

The Board would like to thank our management team and all our staff members for their effort and significant contribution to the Group during the past year. In addition, the Board would like to express our heartfelt gratitude to our shareholders, institutional investors, customers, bankers, suppliers, subcontractors and business partners for their continuous support to and confidence in the Group.

By order of the Board
Wecon Holdings Limited
Tsang Ka Yip
Chairman and
Chief Executive Officer

Hong Kong, 24 June 2022

As at the date of this announcement, the executive Directors are Mr. Tsang Ka Yip (Chairman), Mr. Tsang Tsz Him Philip and Mr. Tsang Tsz Kit Jerry; and the independent non-executive Directors are Mr. Chan Tim Yiu Raymond, Dr. Lau Chi Keung and Mr. Sze Kwok Wing Nigel.